

# Memorandum



**Date:** August 23, 2005

**Supplement to  
Agenda Item No. 12(A)1**

**To:** Honorable Chairman Joe A. Martinez  
and Members, Board of County Commissioners

**From:** George M. Burgess  
County Manager

**Subject:** Supplemental Information regarding The Loft at K Place Condominium  
Development

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Attached, pursuant to the request of the Community Empowerment and Economic Revitalization Committee during the discussion of this subject on June 30, 2005, please find a report prepared by the Miami-Dade Empowerment Trust, Inc. (MDET) that provides a chronology regarding the commitment of funding support for this housing development project. In addition to the report from MDET, also attached is correspondence dated July 5, 2005 that has been received from the developer, The Related Group of Florida.

  
Assistant County Manager



**Date:** July 5, 2005

**To:** Board of County Commissioners  
Miami-Dade County

*Aundra C. Wallace*

**From:** Aundra C. Wallace  
President/CEO  
Miami-Dade Empowerment Trust, Inc.

**Subject:** K-Place Report

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### Overview

Please review the attached report and attachments which outline the chronology of the Office of Community & Economic Development and the Miami-Dade Empowerment Trust's Inc.'s involvement with the above referenced project. It is important to note that staff has always viewed this project as an essential element in the City of Miami's effort to revitalize its Central Business District and remains supportive of this initiative as long as Affordable and/or Workforce Housing is an outcome available to residents of Miami-Dade County.

The representative of the Related Group of Florida had expressed a level of frustration with the process of funding for this transaction and the County's position on this matter. However, we disagree with the Developer's accusation that attempts were not made to honor our pledge to this project and we are very disappointed with how our efforts have been publicly depicted. To clearly state our position on this matter, the OCED/EZ staff has worked diligently to accommodate this request from the private sector. The attached documents will clearly demonstrate that we fulfilled our commitments and communicated consistently with the developer on the conditions surrounding of the use of Federal Home Funds.

### Chronology

Pursuant to the request of the members of the Community Empowerment and Economic Revitalization Committee for the Board of County Commission, we are providing the following chronological information regarding the K-Place project. Below is a summary by year and quarter regarding discussions by the developer (The Related Group of Florida, d/b/a 234 Tower, LLC), the Office of Community and Economic Development and the Miami-Dade Empowerment Trust, Inc.

### Synopsis of Chronology

- Spring FY 2003 – Initial meeting;
- June of 2003 – Letter of Acknowledgement – Outlined Empowerment Zone structure and use of HOME Fund Program;
- June of 2003 – Letter from developer acknowledging strategy, timeline and use of HOME Fund Program;
- Fall – FY 2003 – Units pre-sold, no income verifications;

- October 2003 – Board of Commissioners K-Place approval;
- January 2004 – Request for Bank Financing Letter;
- February 2004 – Bank Financing Letter provided to the Empowerment Zone Trust;
- March 2004 – Empowerment Zone Trust comments on bank letter;
- March 2004 – Related Group's response to the Empowerment Zone Trust comments;
- July 13, 2004 – Related Groups' Letter of Concern;
- July 13, 2004 – The Empowerment Zone Trust's comments to Related Group Letter of Concern; and
- April 2005 – Letter to HUD requesting waiver of income restrictions.

2<sup>nd</sup> Quarter of 2003 (April, May and June)

The Related Group of Florida contacted the Office of Community and Economic Development to discuss a potential mixed-use development in downtown Miami. The development, The Loft of Downtown at K Place, located at 234 NE 3<sup>rd</sup> Street, is a 23-story project, which will provide 197 units of condos and 2,200 square feet of retail space. The projected total project cost was estimated to be in excess of \$30 million.

Subsequent to the first initial discussion regarding the project, the Office of Community and Economic Development notified the developer, that the proposed development was an exciting project; and could potentially stimulate development within the City of Miami's Central Business District, which is a part of the federally designated empowerment zone. The Office of Community and Economic Development indicated on June 5, 2003, that HOME funds would be the funding source utilized to assist the developer with the proposed development. The following approval action steps were identified and agreed to by the developer:

1. Publication of OCED Public Comment Period;
2. Approval of an allocation of HOME funds by the Housing & Economic Development Subcommittee to the Miami-Dade Empowerment Trust, Inc. for investment into the Loft of Downtown at K Place project;
3. Ratification of the Housing & Economic Development Subcommittee recommendation by the Board of County Commissioners for the Loft of Downtown at K Place project;
4. Approval by the Miami-Dade Empowerment Trust, Inc. Governing Board; and
5. Closing on the HOME financial commitment.

The developer acknowledged via correspondence on June 12, 2003 that they understood the above referenced approval action steps and inquired about the timeframe to accomplish the approval steps. The developer was informed that the approval actions would take place during the third quarter and fourth quarter of 2003. Also, by supporting the allocation of utilizing HOME funds for this project, the developer assumes all risk that may be associated with this funding source.

3<sup>rd</sup> Quarter of 2003 (July, August and September)

A plan amendment was advertised on August 21, 2003 for a required public hearing to be held on September 9, 2003.

A revised plan amendment was published on September 13, 2003 for the September 17, 2003 public hearing. This plan amendment contained the allocation of \$2 million to the Miami-Dade Empowerment Trust, Inc. The amendment stated that the funds are to be utilized for the construction of K Place, which would provide affordable housing units in the City of Miami's downtown area. The project is linked to the City of Miami's efforts to stimulate greater residential activity in its Central Business District.

On September 25, 2003, the Miami-Dade Empowerment Trust, Inc. approved a resolution to accept a \$2 million allocation of HOME funds, contingent upon the approval of a HOME Fund Allocation by the Board of County Commissioners.

4<sup>th</sup> Quarter of 2003 (October, November and December)

On October 7, 2003, the Board of County Commissioners authorized the County Manager via Resolution #1035-03 to amend the FY 1994 Statement of Objectives and FY 1995 – FY 2003 Action Plans to reflect the recapture and reallocation of \$9,261,279. The recaptured funds were to be utilized based upon the Exhibit I attachment. Exhibit I allocated \$2 million of HOME funds to the Miami-Dade Empowerment Trust, Inc.

On November 13, 2003, the City of Miami approved the developer for a \$1 million allocation of Affordable Housing Trust funds.

1st Quarter of 2004 (January, February and March)

In January 2004, the Office of Community and Economic Development request a copy of the Financial Commitment provided to The Related Group of Florida by Wachovia Bank. Wachovia is the financial institution of choice by the developer to obtain construction financing for the proposed K Place development.

The developer submitted via correspondence on February 18, 2004 the Non-binding Term Sheet from Wachovia Bank identifying the terms and conditions for the construction financing. The Term Sheet clearly stated that any subordinate financing is subject to review and approval by the Lender. Based upon the term sheet, the developer never indicated to the Bank that either the City or the County funds would be used as equity to assist in closing on the construction financing.

On March 1, 2004, the Miami-Dade Empowerment Trust, Inc. indicated to the developer that they were in the process of determining the appropriate instrument to invest into the K Place project. The developer was again notified that the source of funds to be

invested was HOME funds. Furthermore, the Miami-Dade Empowerment Trust, Inc. identified some issues that needed further clarification prior to finalizing the terms and conditions of the \$2 million investment. The following clarifications were addressed:

1. The total project cost was \$30 million. Since the Bank would provide a loan in the amount of \$22 million and the developer's equity contribution would be \$4 million, the project was left with a financing gap of \$4 million. What source of funds would be used to close the funding gap?
2. The Bank commitment letter called for a blanket assignment of any grants received in connection with this project; does this include the County funds as well?  
The developer responded to the Miami-Dade Empowerment Trust, Inc. via correspondence on March 5, 2005 providing the following responses to the questions raised in their prior correspondence.
  1. The remaining balance of \$4 million will be funded by use of buyer deposits and deferred costs that are expended once the Construction Loan has been paid in full
  2. The Bank does require a blanket assignment and subordination agreement from the County or Miami-Dade Empowerment Trust, Inc.

#### 2nd Quarter of 2004 (April, May and June)

The Developer and the Miami-Dade Empowerment Trust, Inc. continued to discuss terms and conditions; however, no resolution was reached amongst the parties. The discussion points centered around the eligibility requirements of the HOME funds and the perspective buyers of the condo units. Trust staff explored a number of different avenues to assist to developer including discussing with the Miami-Dade Housing Agency a potential swap of funding source with Surtax funds being the source of funds allocated to the developer. **The primary obstacle that impeded the use of housing subsidy funds for this project was the lack of prescreening for buyers to determine income eligibility as required by both the HOME and Surtax programs.** In communications with the Trust staff, this concern was made clear the developers. Additionally during these discussions, the issue of unduly subsidizing the project was raised as market conditions since predevelopment had significant changed in the Central Business District. Both parties agreed that the investment of \$2 million should be reduced to \$1 million based upon the developer's expected rate of return from the condo sales.

#### 3rd Quarter of 2004 (July, August, and September)

The developer sent a correspondence to the Commissioner Barreiro's office addressing the inability of both parties to identify a resolution for the investment of \$1 million in HOME funds. The Miami-Dade Empowerment Trust, Inc. informed the developer on July 13, 2004, that the Miami-Dade Empowerment Trust, Inc. has not abdicated its support for this project and will continue to identify a resolution for this matter.

Meanwhile, the developer chose to proceed with construction on this project without any signed agreement for financing from the Miami-Dade Empowerment Trust, Inc. or the

K-Place Project  
July 6, 2005  
Page 5

Office of Community and Economic Development for the project. **This is was a foreseen risk undertaken by the developer.**

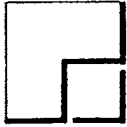
4<sup>th</sup> Quarter of 2004 (October, November and December)

The developer and the Miami-Dade Empowerment Trust, Inc. are still unable to reach a solution to this matter.

1<sup>st</sup> Quarter of 2005 (January, February and March)

The Miami-Dade Empowerment Trust, Inc. agrees to ask the U.S. Department of Housing and Urban Development for a waiver to allow homes, where the buyer exceeds the 80% of the average median income for Miami-Dade County, to utilize the HOME subsidy. US HUD is the final authority on any exceptions to HOME Regulations. US HUD was informed that the developer had in fact commenced development and was scheduled for complete the project in the fall of 2005 and most of the potential buyers were of a working class background (i.e., Police, Government employees, and teachers). To date, we have not yet received a favorable response from our local US HUD Miami office and are appealing to the Washington office.

ACW:mb



**The Related Group of Florida**  
2828 Coral Way, Penthouse Suite  
Miami, Florida 33145  
Tel. (305) 460-9900, Fax (305) 460-9911

July 5, 2005

Mr. Tony Crapp  
Assistant County Manager  
Miami Dade County  
111 NW. 1<sup>st</sup>  
29<sup>th</sup> floor  
Miami, FL 33128

***Re: The Loft at K-place***

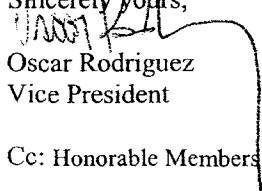
Dear Mr. Crapp:

Pursuant to the request on June 30<sup>th</sup> by the members of the Community Empowerment and Economic Revitalization Committee, and in preparation for the upcoming Board of County Commission Meeting of July 7<sup>th</sup>, 2005, I have drafted a chronology of events that should assist the Commissioners in understanding the process by which Mr. Bryan Finnie, Director of the Office of Community and Economic Development made a commitment to help fund the public-private partnership between the county and the Related Group of Florida in addressing affordable workforce housing in the Central Business District of downtown Miami.

As The Related Group of Florida has stated in the past, we initiated this effort to provide much needed affordable home ownership within the central business district. The County and the City of Miami understood and agreed at the time, that in order to proceed with this project, we needed the participation of government subsidy. With all in agreement, The Related Group proceeded with the launching of The Loft Project and restricted price escalation. This was done in order to provide housing for the working middle class individual retaining them in our community and helping them create wealth as per our stated goals. One of the central themes of the development and business plan for our downtown is the attraction of the working class to its core; the Loft project meets that challenge.

The fact that this project sold in its entirety within three weeks, and that a great portion of its buyers are City and County government workers, should serve as evidence of the important need we are addressing. After more than three years of discussion and negotiation, the project is almost completed and ready for dozens of Miamians to meet their goal of living in decent, affordable housing close to their place of employment. We are asking you to please resolve this impasse in order to complete their goals.

Sincerely yours,

  
Oscar Rodriguez  
Vice President

Cc: Honorable Members of the Community Empowerment and Economic Revitalization Committee

### Chronology of the Loft Downtown (AKA) K-Place

- October 2002      The Related Group meets with Rafael Kapustin to discuss possibility of creating workforce housing in the Central Business District of Downtown Miami. Due to rising construction costs and escalating land prices, TRG is concerned that such a project will not be possible without public sector subsidy. Mr. Kapustin informs TRG that he is currently pursuing public sector funding with the City and the County.
- Nov 2002      Before TRG's official involvement the City of Miami and the County both appropriate federal HOME dollars towards Kapustin's LLC, 234 Tower LLC. (See **attachment 1**).
- Dec. 2002      TRG enters into a contractual agreement with Rafael Kapustin. Mr. Kapustin delivers all third parties information and agreement to be reviewed as part of the due diligence. TRG immediately realizes that the funds Mr. Kapustin has secured are HOME funds and must be used for buyers that make 80% of median income. TRG does not believe such funding to be feasible and requests meeting with the appropriate City and County officials to discuss the matter.
- March 12, 2003      Meeting takes place in Commissioner Barreiro's office with the Commissioner, Mr. Bryan Finnie, Jorge Perez, Rafael Kapustin and Oscar Rodriguez. (**Attachment 2 – confirmation of meeting**). During the meeting Mr. Finnie acknowledges our concerns regarding the HOME funding and reassures TRG that they need not be worried because, as it had been done in the past, he could "float" the subsidy through the empowerment zone and structure it as an investment in the project, thereby converting it into a grant. That investment concept entails a return to the empowerment zone and is linked to the profitability of the project (see **attachment 3**). Mr. Finnie then recommends that we reach out to Eleanor Kluger, of the empowerment zone, to make her aware of the project (see **attachment 4**). TRG asks Mr. Finnie to provide the county's commitment in writing (see **attachment 5**).



March 17, 2003	Meeting takes place with Barbara Rodriguez, Director of Community Development for the City of Miami with Oscar Rodriguez and Rafael Kapustin ( <b>see attachment 6 – confirmation of meeting</b> ). Ms. Rodriguez agrees with concerns over HOME funding a recommends an alternate funding source be appropriated. We identify a million dollars from the affordable housing trust fund. Later City of Miami issues commitment letter ( <b>see attachment 7</b> )
June 12, 2003	TRG answers Mr. Finnie's letter stating the County's commitment asking for specific milestones of the process he has laid out for the <u>investment</u> . In the same letter, TRG informs him that relying on the County's commitment; they are moving forward with sales of the project. ( <b>See attachment 8</b> )
July 2003	TRG launches sales to City and County employees with units raging from \$99,000 through \$260,000. The project sells out in three weeks.
August 2003	TRG receives committed funding from the City of Miami ( <b>see attachment 9</b> ). During this same period of time, TRG make several unsuccessful efforts to reach Mr. Finnie to finalize drafting of agreement with the county. It takes six months to hear from him.
March 1 <sup>st</sup> , 2004	TRG receives a letter from Mr. Finnie ( <b>see attachment 10</b> ) stating what appears to be a reversal on the County's commitment. In it, Mr. Finnie makes inquiries as to the financing of the project and for the first time, states that any funding source from the county must comply with income eligibility requirements. TRG immediately responds and requests a meeting with Mr. Finnie and Commissioner Barreiro ( <b>see attachment 11</b> )

March 5 <sup>th</sup> , 2004	The meeting takes place in Commissioner Barreiro's office with the Commissioner, Mr. Finnie and Oscar Rodriguez of TRG. For the first time, Mr. Finnie acknowledges that he might have made hasty decisions regarding the project and after review did not believe the County could honor the stated funding commitment due to HUD regulations. He insists however, that he can honor the county's commitment by using other types of allocated housing dollars if TRG can identify income eligible buyers. TRG reiterates to Mr. Finnie and the Commissioner that the project is already sold out and they cannot void already executed contracts. Nothing is resolved.
June 30 <sup>th</sup> , 2004	TRG writes to Commissioner Barreiro asking for his assistance in resolving the impasse. (See <b>attachment 12</b> )
July 2004 to The Present time	At least three meetings have taken place with County government officials to evaluate ways of addressing the county's funding commitment.
June 30 <sup>th</sup> , 2005	Community Empowerment and Economic Revitalization Committee meet to discuss the item and votes to bring it to the full County Commission Board. The CEERC requests a detailed chronology of the process.

# Kapustin Corporation

**25 SE 2nd Ave, Suite 750**

**Miami, FL 33131**

**(305) 371-9090 Fax: (305) 371-9292**

## Fax Message

**Fax Number:** 305-460-9911 **#of pages (including cover)** 7


**To: Oscar A. Rodriguez, The Related Group**

From: RAFAEL KAPUSTIN Date: 11/7/02

**Reference: Parcel "B" of K Place**

**Attached is a copy of the Ordinance allowing residential development in the CBD with OFF site parking .**

**As you know this Ordinance was approved by the Planning Advisory Board and later was unanimously approved, both on first as well as second readings by the City Commission.**


 I just received notification that 234 Tower LLC WAS officially recommended by staff to receive \$ 1,000,000 of 2003 Home Money, to be approved by the County Commission this coming November 19<sup>th</sup>. Copy attached.  
 Call me to review.

**Oscar feel free to send direct to Art Noriega in writing the requested changes to the Parking agreement with 234 Tower LLC, but would appreciate if you would "cc" me by fax.**

**I will get you the Surveys late today or first thing tomorrow.**

**Cheers.**

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Activity ID	Agency Name	Activity Address	Total Unit	P.T.	Total Points	2003 Funding	Funding Source Requested	Eligible	Funding Source Available	Planned Recd.	Staff Recovers	Child
111	Gauld CDC	Homeless Education Counsel		CE	34			51		\$0	\$0	03
51	Starrick, Inc.	803 NW 14 Street	28	58	28			50		\$0	\$0	03
75	St. John Community Development Corp	1405-1640 NW 1st Avenue	14	H	14	\$50,000	HOME 2003	\$100,000	HOME 2003	\$800,000	\$100,000	03
56	New Hope C.O.R.P.S.	Transitional Housing	32	RH	48	\$400,000	HOME 2003	\$400,000	HOME 2003	\$0	\$0	03
79	Carre Community Development Center, Inc.	Fields City Village Phase IV	11	H	86	\$800,000	HOME 2003	\$800,000	HOME 2003	\$0	\$0	03
79	Carre Community Development Center, Inc.	Fields City Village Phase V	16	H	83	\$400,000	HOME 2003	\$400,000	HOME 2003	\$0	\$0	03
24	Armen Village Associates, LLC	Armen Village Apartments	216	R	83	\$300,000	HOME 2003	\$0	HOME 2003	\$1,000,000	\$0	03
37	Alford Beach Community Development Corp	Jefferson Apartments	27	SLA	83	\$250,000	HOME 2003	\$250,000	HOME 2003	\$0	\$0	03
79	Trinity Economic Development	The Village at Lakes Lucerne	106	H	78	\$7,000,000	HOME 2003	\$1,000,000	HOME 2003	\$0	\$0	03
32	Eliza Placat Gardens Partnership/Carroll Co	Eliza Placat Gardens	72	RH	72	\$1,000,000	HOME 2003	\$1,000,000	HOME 2003	\$0	\$0	03
11	St. John Community Development Corp	St. John Village Apartments	24	SA	64	\$1,000,000	HOME 2003	\$200,000	HOME 2003	\$200,000	\$0	03
84	Marshall Properties LLC	Marshall Properties Phase I	13	H	61	\$250,000	HOME 2003	\$250,000	HOME 2003	\$0	\$0	03
84	St. John Community Development Corp	St. John Village Apartments	10	SA	61	\$250,000	HOME 2003	\$250,000	HOME 2003	\$0	\$0	03
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**KAPUSTIN CORPORATION**25 SE 2<sup>ND</sup> Avenue  
Miami, FL 33131Phone: 305-371-9090  
Fax: 305-371-9292  
Email: [Kapustin@kapustincorp.com](mailto:Kapustin@kapustincorp.com)

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**FAX COVER SHEET**

DATE: 3/6/03

SEND TO: Oscar Rodriguez- The Related Group of Florida	
FROM: Nury Enamorado	
FAX NUMBER: 305-445-1834	NUMBER OF PAGES INCLUDING COVER: 1

**REFERENCE: K Place**

This fax is to confirm a meeting with Brian Finnie, Jorge Perez, Oscar Rodriguez and Rafael Kapustin at the office of Commissioner Bruno Bareiro located at 111 NW 1<sup>st</sup> Street Suite 220 on Wednesday, March 12, 2003 at 10:30 am.

Thank you.

Ves

## County Grants Worksheet

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	164,186	Sellable square feet
	\$20	Excess revenues per square feet
	<u>\$3,283,720</u>	
	(\$985,116)	Less: 30% Operating Expense
	<u>\$2,298,604</u>	
	0.4	Less: 40% Refund to County
<b>Refund to County</b>	<u><u>\$919,442</u></u>	

County Grants	\$2,000,000
Refund to County	<u>(\$920,000)</u>
<b>Net County Grants to TRG</b>	<u><u>\$1,080,000</u></u>

### Assumptions:

Refund of 40% net of expenses to County on all sales per square foot over \$200

Cap of refund to City and County is \$230 per square feet

Sales are budgeted @ \$215 per square foot.

Sellable square feet available is 164,186

Operating Expenses are budgeted @ 30% of total sales

## 234 Tower LLC

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May 6, 2003

Mrs. Eleanor Kluger  
Empowerment Trust Board Member  
3050 Biscayne Boulevard, 3<sup>rd</sup> floor  
Miami, Florida 33137

Re: "The Loft" / 234 Tower LLC

Dear Mrs. Kluger:

Thank you very much for your time last Friday when you gave us the opportunity to review our plans of bringing Market Rate Home Ownership at Affordable prices to the core of Downtown Miami within the Empowerment Zone.

We are all in agreement that Downtown Miami's residential rebirth is here now and that activity from developers in the Brickell area is rapidly moving to the Omni area and just starting to be seen in the downtown core as well.

While we all welcome this long awaited residential rebirth, we also have concerns of pricing out the middle class that makes up a majority of the 110,000 people that come to work in Downtown Miami every day. We feel a good portion of these individuals would welcome moving to Downtown Miami if there was a housing product of good quality they could afford.

The above reference product is the first phase of a development known as K" Place, consisting of five (5) new mixed use residential high rise buildings that are planned in the heart of the Downtown core which will bring over 1,000 brand new residential lofts.

These units will feature flexible open type floor plans, expansive high ceilings, contemporary light fixtures, stainless steel appliance package and Italian kitchen cabinets. Additionally, this development will include brand new commercial spaces to attract service tenants not presently in this market.

To accomplish the above goal, the public sector must take a very active role and work hand by hand with the private sector providing incentives and support. Some excellent ideas surfaced in our meeting with you that we would like to continue exploring jointly.

At this time we respectfully request that The Empowerment Trust Board give consideration to a One Million-Dollar grant for this development project. This financial

15

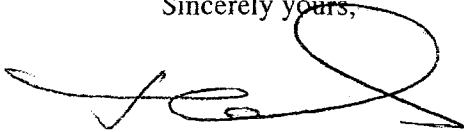
Page 2, of 2  
May 6, 2003

support will allow us to market these units at extremely affordable prices and make the dream of "homeownership in Downtown Miami" a reality.

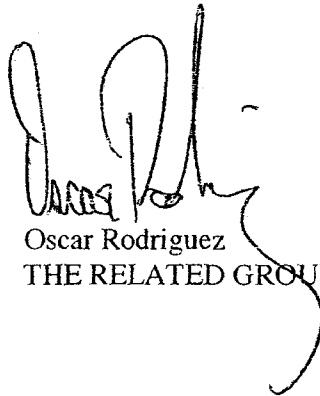
If you feel a presentation to your Board is necessary, please contact us and we will make the proper arrangements to attend.

Thanking you in advance, we remain,

Sincerely yours,



Rafael Kapustin  
234 TOWER,LLC.



Oscar Rodriguez  
THE RELATED GROUP OF FLORIDA



## City of Miami

11FT: City of Miami

KEITH CARSWELL  
DirectorJOE ARRIOLA  
City Manager

July 03, 2003

⑦

Mr. Rafael Kapustin  
234 Tower L.L.C.  
25 SE 2<sup>nd</sup> Avenue, Suite 750  
Miami, Florida 33131

**Re: Proposed grant in the amount of \$1,000,000 for the development of an owner occupied condominium project in Miami's Downtown Central Business District.**

Dear Mr. Kapustin:

As you are aware, the availability of affordable market-rate housing within the City of Miami's Central Business District (CBD) is of vital importance in the City's goal to create a twenty-four hour community where people live, work and play.

The City's Department of Community Development is currently working with Miami-Dade County's Empowerment Zone Trust and the Department of Housing and Urban Development (HUD) in an effort to alleviate several concerns relative to the one-million dollars (\$1,000,000) awarded to this project in HOME funds.

Please be advised that in the event a mutually agreeable solution is not reached and the HOME funds are recaptured, approval from the City of Miami Commission will be sought to provide the requisite funding through the Affordable Housing Trust Fund (Fund) managed by the Department of Economic Development. Allocations to the Fund consist of fees collected from approved projects. Please note that disbursement of any award is subject, but not limited to, the availability of said funds and a mutually satisfying development agreement.

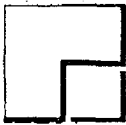
Should you have any questions, please feel free to contact me at (305) 416-1411.

Sincerely,

Keith A. Carswell, Director  
Department of Economic Development

Cc: Ms. Linda Haskins, Chief Financial Officer, City of Miami  
Ms. Barbara G. Rodriguez, Director, Department of Community Development  
Mr. Otto Boudet-Murias, Senior Economic Advisor, Office of the Mayor  
Mr. Oscar Rodriguez, The Related Group of Florida

/CS



The Related Group of Florida  
2828 Coral Way, Penthouse Suite  
Miami, Florida 33145  
Tel. (305) 460-9900, Fax (305) 460-9911

RECEIVED  
JUN 16 2003  
Director's Office  
OCED

June 12, 2003

Mr. Bryan K. Finnie  
Director  
Office of Community and  
Economic Development  
140 W. Flagler Street  
Suite #1000  
Miami, FL 33130-1561

8

Re: Your letter dated June 5, 2003

Dear Mr. Finnie:

Thank you so much for your letter to Rafael Kapustin and The Related Group of June 5<sup>th</sup>. We very much appreciate the approval from OCED as well as your recommendation for a similar investment from MDET.

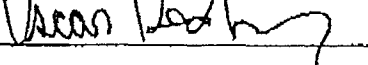
As you know, the MDET funds are critical to our project. In the interim, and in reliance on your recommendation for approval to the Board of County Commission, we are prepared to immediately start pre-development work and to begin expending our capital on this project.

It would be very helpful to us for you to outline what the expected timeframes are for each of the steps set forth as prerequisites to the MDET investment in your June 5<sup>th</sup> letter so that we can properly complete our planning process.

Again, we appreciate your help and look forward to continuing to work with you in this endeavor.

Sincerely,

THE RELATED GROUP OF FLORIDA

BY: 

The foregoing is acknowledged and the timeframes are as follows:

1. Publication of OCED Public Comment Period 08/03
2. Appearance to the Housing & Economic Development Subcommittee 09/03
3. Appearance to the MDET Board of Directors 09/03
4. Appearance to the Board of County Commission for final approval 10/03

Cc: Jorge M. Perez- The Related Group of Florida  
Alfredo J. Gonzalez, Esq.- Chief of Policy, Commissioner Bruno A. Barreiro District 5

18



140 W. FLAGLER STREET, SUITE 1000  
MIAMI, FL 33130-1561

OFFICE OF COMMUNITY AND  
ECONOMIC DEVELOPMENT  
Director's Office  
PHONE: 305-375-3848  
FAX: 305-375-3428  
kfinnie@miamidade.gov  
www.co.miami-dade.fl.us/ced/

5

June 5<sup>th</sup>, 2003

Mr. Rafael Kaputsin  
234 Tower LLC  
25 SE 2<sup>nd</sup> Avenue, Suite 750  
Miami, Florida 33131

Dear Mr. Kaputsin:

Thank you for contacting the Office of Community and Economic Development (OCED) and the Miami-Dade Empowerment Trust, Inc. (MDET) for your affordable housing needs.

As you know, the OCED and MDET is very excited about the opportunity to stimulate development within the City of Miami's Central Business District which is part of our federally designated empowerment zone.

Your project, K Place has already received funding approval from OCED via its Home Program for \$1,000,000. As discussed I will recommend to the Miami-Dade Board of County Commissioners that your existing million be combined with a similar amount and floated through the MDET for investment in your project. The action steps for approval are as follows:

- 1) publication of OCED Public Comment Period;
- 2) appearance to the Housing & Economic Development Subcommittee Meeting;
- 3) appearance to the MDET Board of Directors Meeting;
- 4) appearance to the Board of County Commissioners for final approval; and
- 5) tentative closing schedule.

I have already discussed K Place's financial structure with the Board of Directors of the Miami-Dade Empowerment Trust, Inc., they are very excited about our equity concept and willing to link return to your profitability.

I look forward to a continued working relationship with The Related Group of Florida.

Thank you for contacting Miami-Dade County's economic development team for your community development financing needs.

Sincerely,

Bryan K. Finnie  
Director

BKF:gvm

cc: Oscar Rodriguez, The Related Group of Florida

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**KAPUSTIN CORPORATION**25 SE 2<sup>ND</sup> Avenue  
Miami, FL 33131Phone: 305-371-9090  
Fax: 305-371-9292  
Email: [Kapustin@kapustincorp.com](mailto:Kapustin@kapustincorp.com)

6

**FAX COVER SHEET**

DATE: 3/7/03

SEND TO:	
Oscar Rodriguez – The Related Group of Florida Art Noriega – Department of Off Street Parking Otto Boudet – Senior Advisor, Economic Development	
FROM:	
Nury Enamorado	
FAX NUMBER:	NUMBER OF PAGES INCLUDING COVER:
305-445-1834 305-371-9451 305-854-4001	1

**REFERENCE:** K Place**MESSAGE:**

This fax is to confirm a meeting with Barbara Gomez-Rodriguez on Monday, March 17, 2003 at 10 am at 444 SW 2<sup>nd</sup> Avenue, 2<sup>nd</sup> floor.

Thank you.

Yes!  
please schedule!

AGREEMENT

9

This Agreement is dated this \_\_\_\_\_ day of \_\_\_\_\_, 2004, by and between the City of Miami, a municipal corporation of the State of Florida (hereinafter the "City"), and 243 Tower, LLC, a Florida limited liability company (hereinafter referred to as the "Developer").

AMOUNT: \$1,000,000.00

RESOLUTION: Ordinance No. 12436 adopted on second reading on November 13, 2003

PROJECT NAME: The Lofts

PROJECT TYPE: Homeownership/New Construction

TERM: See Section 1.8

PROPERTY ADDRESS 230-234 Northeast 3<sup>rd</sup> Street,  
Miami, Florida 33132

EXHIBITS ATTACHED:

Exhibit A	Work Plan and Project Schedule
Exhibit B	Legal Description and Identification of 102 Project Affordable Units
Exhibit C	Budget
Exhibit D	Construction Escrow Disbursement Agreement
Exhibit E	Form of Opinion of Counsel

### RECITALS

WHEREAS, the Developer is developing a residential/commercial condominium project known as The Lofts (the "Project") that will increase the supply of Affordable residential condominium units in the City of Miami's Downtown Central Business District; and

WHEREAS, on September 13, 2002 and December 13, 2002, the City's Housing and Commercial Loan Committee approved the allocation of \$1,000,000.00 in HOME Investment Partnerships Program ("HOME") funds for construction of the Project; and

WHEREAS, such HOME Funds were de-obligated by the City's Housing and Commercial Loan Committee on November 26, 2003; and

WHEREAS, pursuant to Ordinance No. 12436, adopted by the City Commission on November 13, 2003, the Project was allocated \$1,000,000 from the City's Affordable Housing Trust Fund, subject to certain conditions; and

WHEREAS, the City and the Developer intend and agree that the allocation of such funds shall be subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and obligations herein contained, and subject to the terms and conditions hereinafter stated, the parties hereto understand and agree as follows:

## ARTICLE I

### DEFINITIONS

The City and the Developer hereby agree that the capitalized terms used herein shall have the meanings set forth below unless the context requires otherwise:

- 1.1 Affordable: A Project residential condominium unit that is priced not in excess of ninety percent (90%) of the median Miami new housing sales price for August 2003 as published by the Florida Association of Realtors.
- 1.2 Contract Records: Any and all books, records, documents, information, data, papers, letters, materials, electronic storage data and media, whether written, printed, computerized, electronic or electrical, however collected or preserved which is or was produced, developed, maintained, completed, received or compiled by or at the direction of the Developer or any subcontractor of the Developer in carrying out the duties and obligations required by the terms of this Agreement, including, but not limited to, financial books and records, ledgers, drawings, maps, pamphlets, designs, electronic tapes, computer drives and diskettes or surveys.
- 1.3 Project: A residential/commercial condominium project, known as The Lofts, of which not less than 102 units shall be Affordable (----(---) one bedroom units and ---- (----) two bedroom units), to be developed and constructed on the Property in accordance with Work Plan and Project Schedule and the plans and specifications, attached hereto and incorporated herein as Exhibit "A."
- 1.4 Grant/Funds: The grant in an amount not to exceed \$1,000,000.00 from the City to the Developer for the Project land acquisition, and construction and development costs in accordance with the Work Plan.

- 1.5 Property: The real property located at 230-234 Northeast 3<sup>rd</sup> Street, Miami, Florida, on which the Project is being constructed, as legally described in Exhibit "B", attached hereto and incorporated herein provided, however, that after condominiumization of the Property, all commercial components of the Property shall be released from the City's Mortgage (as hereinafter defined) as described in Section 2.1 hereof. Thereafter the term "Property" as used in this Agreement and any other Grant Documents shall be deemed to refer to the residential components of the Property only.
- 1.6 Grant Documents: This Agreement and all other documents that may now or hereafter evidence or secure the Developer's obligations hereunder, together with other documents executed in connection therewith or provided by the Developer to the City in connection therewith or herewith, and all amendments, extensions and renewals to any of the foregoing.
- 1.7 Legal Requirements: Any requirements imposed by the City and all local, state and federal requirements relating and/or pertaining to the development and/or construction of the Project.
- 1.8 Term: The period commencing on the Effective Date and ending fifteen (15) days after the Developer's sale, in accordance with the terms hereof, of the last of the residential condominium units in the Project, but in no event later than thirty (30) months from the Effective Date hereof.
- 1.9 Effective Date: The date on which the City Clerk affixes an attestation to this Agreement.



ARTICLE II  
USE OF FUNDS

Subject to the terms and conditions set forth herein and the Developer's compliance with all of its obligations hereunder, the City hereby agrees to make the Funds available to the Developer to be used for the purpose and disbursed in the manner hereinafter provided.

2.1 Use of Funds. The Loft Downtown is a new construction/mixed-use project consisting of 196 residential condominium units (aggregating not less than 155,000 sq. ft.) and not less than 1500 sq. ft. of commercial/office and retail space. The Project shall contain not less than one hundred thirty one (131) one bedroom/one bath units and not less than sixty five (65) two bedroom/ two bath units.

Not less than 102 of the Project's residential condominium units shall be Affordable (---- (---) one bedroom units and ---- (----) two bedroom units). The Funds shall be used for Project land acquisition and development costs and the construction of the Affordable residential condominium units in accordance with the Work Plan attached hereto as Exhibit A and the Budget attached hereto as Exhibit C (taking into account verified savings, reallocation among line items and contingency, provided, however, the Developer shall not be permitted, without the City's prior written consent, to: (i) reallocate any funds from another line item or from contingency to fund Developer fees or other fees payable to affiliates of Developer, or (ii) allocate soft cost line items to hard cost line items or hard cost line items to soft cost line items).

The Developer intends to codominiumize the Property. Upon completion of the condominiumization of the Property, the City will execute a partial release of mortgage so as to release all commercial components of the Property from its Mortgage.

The Developer shall:

- (i) commence construction of the Project, to the satisfaction of the City in its sole judgment, within thirty (30) days from the Effective Date hereof,
- (ii) obtain all required certificates of occupancy for the Project, within thirty (30) months from the Effective Date, and
- (iii) sell no less than one hundred two (102) of the residential condominiums in the Project (-----) one bedroom units and ---- (----) two bedroom units) in accordance with the Affordability requirements of Section 2502 of the Zoning Ordinance of the City of Miami, Florida and Section 1.1 hereof, within thirty (30) months from the Effective Date. For the purposes hereof, the terms "sell" and "sale" as the context requires shall mean a legal transfer of title/ownership to a homebuyer.

Upon the sale of each residential condominium in the Project in accordance with the terms of this Agreement and the Grant Documents executed in connection herewith, and without payment of any consideration to the City whatsoever, the City shall release such condominium from the lien of the Mortgage executed simultaneously herewith by the Developer in favor of the City (the "Mortgage").

2.2 Disbursement. The Funds shall be disbursed in accordance with the Budget attached hereto and incorporated herein as Exhibit "C" (taking into account verified savings, reallocation among line items and contingency, provided, however, the Developer shall not be permitted, without the City's prior written consent, to: (i) reallocate any funds from another line item or from contingency to fund Developer/developer fees or other fees payable to affiliates of Developer, or (ii) allocate soft cost line items to hard cost line items or hard cost line items to

soft cost line items) and in the manner set forth in that certain Construction Escrow Disbursement Agreement between the Developer, the City and Wachovia Bank, National Association executed in connection herewith, a copy of which is attached hereto and incorporated herein as Exhibit "D".

2.3 City's Representative. The City may designate a representative to represent the City, at its sole cost and expense, in connection with, and to interface and work with the Developer on, all phases of the Work Program.

2.4 Repayment Obligation. Notwithstanding anything contained herein to the contrary, upon the occurrence of an Event of Default as defined in Article VI below and the continuance thereof beyond any applicable notice and cure periods provided herein, the amount of the Funds actually disbursed shall be immediately due and payable. Upon the written demand of the City the Developer shall reimburse the City for the full amount of Funds disbursed pursuant to this Agreement.

### ARTICLE III

#### CONDITIONS PRECEDENT TO FUNDING

The City shall not be obligated to disburse the Funds unless and until the City has received the following:

3.1 Title Insurance. A current title insurance policy insuring the City's mortgage lien interest in the Property, issued by a title insurance company acceptable to the City, together with copies of all instruments which appear as exceptions therein. The title policy is to be issued without exceptions, except for those exceptions permitted by the City, and shall include such affirmative coverage as the City shall require.

3.2 Survey. An original current survey of the Property made by a registered surveyor certified to the City, and satisfactory to the City and the title company.

3.3 Zoning. Evidence that the Property and the proposed improvements comply with all applicable zoning ordinances.

MAR. 3.2004 3:28PM

Mr. Oscar Rodriguez



MIAMI-DADE  
Empowerment Trust, Inc.  
Partnering for Progress

March 1, 2004

Mr. Oscar Rodriguez  
The Related Group of Florida  
2828 Coral Way, Penthouse Suite  
Miami, Florida 33143

10

RE: K Place (The Loft) \$2 Million Investment

Dear Mr. Rodriguez:

I have reviewed your Wachovia Bank's Commitment letter of January 9, 2004 received by my offices on February 19, 2004. We appreciate your efforts to stimulate mixed-use development in the City of Miami's Central Business District.

The Miami-Dade Empowerment Trust, Inc. is in the process of reviewing a potential investment of up to \$2 million dollars. The intended source of the funds is a \$2M set aside of HOME funding received by the Empowerment Trust and earmarked for your above referenced project. Prior to finalizing the terms and conditions of our investment we would like you to address the following issues:

1. The proposed budget to construct The Loft is \$30,015,000. Your bank financing and minimum equity participation equals \$26,017,600. The balance remaining is \$3,997,400, how will this be funded?

2. Can you please provide a detailed breakout of the interest expense of \$800,000. What are your assumptions on the LIBOR note? Does this interest expense accommodate any other sources of financing? If so, from whom?

3. Please define or reconcile your Administrative Expenses (\$975,000), Sales Administrative Expenses (\$351,000) with your Developers Overhead of \$1,000,000. *on site staffing*

4. Please provide the formula utilized to calculate the sales commission's budget of \$1,434,000. *For sales effort & staff scheduling.*

Corporate Admin  
Staff

28 ↓ OSCAR

Mr. Oscar Rodriguez  
March 1, 2004  
Page 2

5. Please provide copies of your financial agreement with the City of Miami. Additionally, what is the level of Miami's commitment, \$1,000,000 or \$2,000,000 and from what source?
6. Your bank commitment letter calls for a blanket assignment of any grants received in connection with this project. I assume that this provision encompasses the Miami-Dade Empowerment Trust, Inc.'s investment. If so, we need to discuss this.
7. Please explain how our investment will be structured. Will you require our funding during construction, or will it be take out financing upon the completion of the project?


Will furnish

subordination  
agreement w/  
bank once  
ready.

During Construction  
+ for acquisition costs

As things now stand, I am preparing to make an investment recommendation within the next week and I would appreciate you getting back to me as soon as possible. We are prepared to commit \$1,000,000 immediately. The funds will be utilized to secure the US HUD required affordable units. Any additional funding will have to be justified based on a further cash flow analysis. Finally, the Miami-Dade Empowerment Trust, Inc. is willing to consider purchasing all or a portion of the commercial space available at the Lofts (K Place). We look forward to discussing this with you in the very near future.

Sincerely,

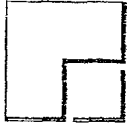


Bryan K. Finnie  
President/CEO

BKF:gvm

cc: Eleanor Kluger, MDET, Board Member  
Aundra Wallace, Managing Director, MDET  
Jackie Rodriguez, Project Manager, MDET

See Source  
& Uses.



The Related Group of Florida  
2828 Coral Way, Penthouse Suite  
Miami, Florida 33145  
Tel. (305) 460-9900, Fax (305) 460-9911

11

March 5, 2004

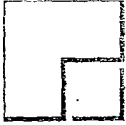
Mr. Bryan K. Finnie ✓  
President/CEO  
Miami-Dade Empowerment Trust, Inc.  
3050 Biscayne Boulevard, Suite 300  
Miami, Florida 33137

*Re : K-Place (The Loft Downtown) \$2 Million Dollar Grant/Investment*

Dear Mr. Finnie:

We have your letter dated March 1, 2004, which we physically received (see attached letter with facsimile header) on March 3, 2004, and offer the following response to your questions:

1. The remaining balance of \$3,997,400 will be funded by use of buyer deposits and deferred costs that are expended once the Construction Loan has been paid in full.
2. Attached please find a breakout of the Interest Expense. The LIBOR assumption is a 4% rate on our projected outstanding loan balance. Lastly, your question "Does this interest expense accommodate any other sources of financing?" The answer is no.
3. Administrative Expenses are defined as: Project Manager, Assistant Project Manager, Comptroller, Contract Administrator, Construction Manager, etc... Sales Administrative Expenses are defined as: Receptionist, Sales manager, Weekend Greeters, Any expenses for sales effort, etc... Overhead is defined as: All Corporate expenses and staff.
4. Attached please find a sheet explaining the formula used to calculate the sales commission.
5. The level of the City of Miami's commitment is \$1,000,000. This funding is from the City's Affordable Housing Trust Fund. Attached you will find copies of our financial agreement.
6. You are correct. Due to your prior commitments (see attached letter dated June 5, 2003) we have always counted on this grant towards our project costs. As you can see by the Sources and Uses statement (see attached) that was sent to you some time ago, we are using this dedicated funding source as equity for the project. Therefore, the bank is requiring a blanket assignment and a subordination agreement. If this needs to be discussed further, I will remind you that I remain, as always, available to discuss any issue you may have.
7. Attached please find a brief description of how your investment will be structured. I will again remind you that we have already discussed this structure



verbally in our many meetings regarding this issue and it has not changed. With regards to your second question, this will not be take-out financing upon completion. We have always discussed this funding source being used for acquisition and development costs.

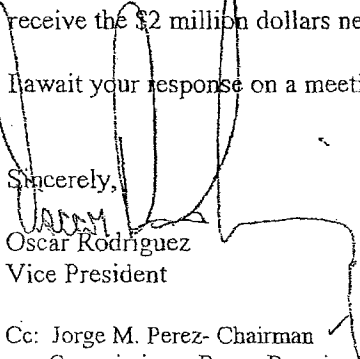
Mr. Finnie, as I read your letter, I became confused as to its content. In all of our meetings with the Empowerment Zone Trust, Office of Community and Economic Development and Commissioner Barreiro's district 5 office, it was always discussed that the \$2 million dollars made reference to in your letter was a grant and would be issued in full for land acquisition and development costs. That was the reason it was transferred to the Empowerment Zone to begin with. According to you, we needed to do it this way in order to structure it as a grant. It now seems from your letter that this is no longer the case. You make reference to an additional million dollars needing to be "justified" based on a cash flow analysis. I do not remember this ever being discussed in any of our previous meetings. What was discussed was that in order to bring Affordable Home Ownership into the Central Business District, this project needed a \$2 million dollar subsidy/grant from Miami-Dade County, specifically your department.

\* We also discussed a scenario in which the Empowerment Zone would receive money back from any revenues, net of expenses, which were in excess of \$200 per foot and that this money would be kept in an interest bearing account to be used for the later phases (II and III) of K-Place. This revenue would be split between the Developer (60%) and the Empowerment Zone (40%). We now have this figure and remain willing to finalize our agreement based on the understanding that we have always had with you and the Empowerment Zone.

Lastly, we have had the approvals for this funding source since October of last year and have yet to finalize anything with the Empowerment Zone. We don't even have a preliminary draft of an agreement. The fact that we have closed on the land, are ready to begin construction and close on our loan is evidence that we are fully committed to this project and in bringing much needed Affordable Home Ownership to an area that has not seen new residential construction in 30 years. We proceeded with this project because of commitments you made regarding the \$2 million dollars. Now it seems as if you are reluctant to go forward. At this point, I am requesting that we meet in person to finalize any last questions you may have, review any and all documents needed to finalize this deal, execute an agreement with the Empowerment Zone and once and for all receive the \$2 million dollars needed for this project.

I await your response on a meeting date.

Sincerely,

  
Oscar Rodriguez  
Vice President

Cc: Jorge M. Perez- Chairman  
Commissioner Bruno Barreiro- District 5 ✓  
Betty Gutierrez- Commissioner Barreiro's office ✓

# The Loft Interest Expense Calculations

Dates	Bank Loan Advances	Paydown From Closing Proceed	Cummulative Loan Advances	Interest Rate	Monthly Interest	Cummulative Interest Expense	
Jul-03	\$0						
Aug-03	\$0	\$0	\$0	4.0%	\$0	\$0	
Sep-03	\$0	\$0	\$0	4.0%	\$0	\$0	
Oct-03	\$0	\$0	\$0	4.0%	\$0	\$0	
Nov-03	\$0	\$0	\$0	4.0%	\$0	\$0	
Dec-03	\$0	\$0	\$0	4.0%	\$0	\$0	
Jan-04	\$0	\$0	\$0	4.0%	\$0	\$0	Land Purchased
Feb-04	\$0	\$0	\$0	4.0%	\$0	\$0	
Mar-04	\$1,200,000	\$0	\$1,200,000	4.0%	\$3,945	\$3,945	
Apr-04	\$1,300,000	\$0	\$2,500,000	4.0%	\$8,219	\$12,164	Construction Start
May-04	\$1,250,000	\$0	\$3,750,000	4.0%	\$12,329	\$24,493	
Jun-04	\$1,200,000	\$0	\$4,950,000	4.0%	\$16,274	\$40,767	
Jul-04	\$1,575,000	\$0	\$6,525,000	4.0%	\$21,452	\$62,219	
Aug-04	\$1,750,000	\$0	\$8,275,000	4.0%	\$27,205	\$89,425	
Sep-04	\$1,650,000	\$0	\$9,925,000	4.0%	\$32,630	\$122,055	
Oct-04	\$1,600,000	\$0	\$11,525,000	4.0%	\$37,890	\$159,945	
Nov-04	\$1,575,000	\$0	\$13,100,000	4.0%	\$43,068	\$203,014	
Dec-04	\$1,500,000	\$0	\$14,600,000	4.0%	\$48,000	\$251,014	
Jan-05	\$1,300,000	\$0	\$15,900,000	4.0%	\$52,274	\$303,288	
Feb-05	\$1,150,000	\$0	\$17,050,000	4.0%	\$56,055	\$359,342	
Mar-05	\$1,050,000	\$0	\$18,100,000	4.0%	\$59,507	\$418,849	
Apr-05	\$1,050,000	\$0	\$19,150,000	4.0%	\$62,959	\$481,808	
May-05	\$1,050,000	\$0	\$20,200,000	4.0%	\$66,411	\$548,219	
Jun-05	\$1,000,000	\$0	\$21,200,000	4.0%	\$69,699	\$617,918	
Jul-05	\$900,000	\$0	\$22,100,000	4.0%	\$72,658	\$690,575	
Aug-05	\$0	\$2,743,362	\$19,356,638	4.0%	\$63,638	\$754,214	TCO
Sep-05	\$0	\$8,643,200	\$10,713,438	4.0%	\$34,022	\$788,236	
Oct-05	\$0	\$6,818,438	\$3,895,000	4.0%	\$12,805	\$801,041	CO
Nov-05	\$0	\$3,895,000	\$0	4.0%	\$0	\$0	
Dec-05	\$0	\$0	\$0	4.0%	\$0	\$0	
Jan-06	\$0	\$0	\$0	4.0%	\$0	\$0	
Feb-06	\$0	\$0	\$0	4.0%	\$0	\$0	Close Out

\$22,100,000



# The Loft Commissions

		Project Total
<u>Sales</u>		
Average Sales Price		
Sales per month		
Cummulative Sales		\$36,180,800
<u>Closings</u>		
Closings per month		
Cummulative Closings		
In-House - 2 1/2%	2.50%	
33% @ Recision	33.00%	\$298,617
17% @ 5% @ Grounbreaking/Predevelopment Loan	17.00%	\$153,833
16% @ 5% @ Top-off/Receipt of Commitment Letter	16.00%	\$124,784
34% @ Closing	34.00%	\$807,666
Less Advances		
Sub-total - In-House		\$904,900
	0.65	
Outside Brokers -	3.00%	
25% @ Recision	25.00%	\$132,279
12% @ 5% @ Grounbreaking/Predevelopment Loan	12.00%	\$63,492
13% @ 5% @ Top-off/Receipt of Commitment Letter	13.00%	\$68,763
50% @ Closing	50.00%	\$264,350
Less Advances		
Sub-Total - Outside Brokers		\$529,400
Total Commissions		\$1,434,300



The Related Group of Florida  
2828 Coral Way, Penthouse Suite  
Miami, Florida 33145  
Tel. (305) 460-9900, Fax (305) 460-9911

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June 30, 2004

Honorable Commissioner Bruno Barreiro  
Miami-Dade County Commissioner District 5  
1454 SW 1<sup>st</sup> Street  
Miami, FL 33135

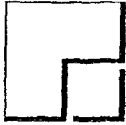
***Re: The Loft Downtown phase I***

Dear Commissioner Barreiro:

I am writing to you today to bring to your attention the above-mentioned project located in your district 5, specifically, the Central Business District of Downtown Miami-Dade County.

Before the Related Group of Florida proceeded with this project, we met with you and Brian Finnie, Director of Community Development, to inform you of our plans to provide much needed Affordable Home-Ownership within the Central Business District. We made it clear then that in order for this project to become a reality, we needed the participation of a local government subsidy. Mr. Finnie assured us then that the County would commit to a subsidy of \$2 million dollars. I have attached a copy of Mr. Finnie's commitment letter dated June 5, 2003, for your information. Relying on Mr. Finnie's commitment, we proceeded with the launching of this project and restricted price escalations in order to provide housing for the working class individual, retaining the middle class in our community and helping them create wealth, as per our stated goals. I have attached a recent report by the Brookings Institution Center on Urban and Metropolitan Policy that specifically addresses this issue. The critical issue of the middle class leaving our county looms over Dade County growth and development plans and should include a vibrant retention plan. The Loft Downtown is a perfect example of the type of projects that should be included in such a plan.

After our initial meeting and after completing the requirements mentioned in Mr. Finnie's letter, we tried, for several months to meet again with Mr. Finnie to finalize our financial commitment. Our efforts were not successful. On March 1, 2004, we received a letter from the Empowerment Zone signed by Mr. Finnie stating their reversed position with regards to the subsidy agreement (see attached letter dated March 5, 2004, with our response). Immediately afterwards, we met with you and your staff to voice our disappointment and to inquire as to the reasons for the reversal from the Empowerment Zone Trust. In that meeting Mr. Finnie acknowledged that he had made a commitment that was not possible, however, he declared that a solution could be reached if Related would set aside a number of units for individuals that made 120 percent of the median



Page Two

June 30, 2004

Honorable Commissioner Bruno Barreiro

Re: The Loft Downtown - Phase I

\* income. Once again we made arrangements to identify these buyers. Later on, Mr. Finnie informed us that once again his commitment could not be upheld due to HUD guidelines. As it stands today, we still have no knowledge of how this agreement will be structured or even the level to which the Miami-Dade County will honor the subsidy agreement. \*

Since our meeting of March 5, 2004, we have met with Assistant County Manager Tony Crapp to inquire as to the status of this matter (please see attached E-mails). The responses he has received are worrisome since he is being told that market conditions have changed and the subsidy might not be needed to get the job done. This apparent indecisiveness is not what a responsible business endeavor, such as ours, expects from its governmental entities. The Related Group embarked on this visionary project with the understanding that the Miami-Dade County government would own up to its commitments. We have owned up to ours to hold back prices to assist in retention of middle class residents in the downtown area.

We are once again respectfully requesting to meet with you and all parties involved to resolve this matter as soon as possible.

I'll await for your office's response on your availability and thank you in advance for your cooperation.

Sincerely yours,

**THE RELATED GROUP OF FLORIDA**

Oscar Rodriguez  
Vice President of Development

OR: il  
Enclosures

Cc: Jorge M. Perez- The Related Group of Florida  
Roberto S. Rocha- The Related Group of Florida  
Tony Crapp- Assistant County Manager  
Brian Finnie- Director, Office of Community Development  
Aundra Wallace- Empowerment Zone Trust, Inc.  
Betty Gutierrez- District 5 Office